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United Cigar Stores Company of America

(and Subsidiaries)

OTIS & CO.
STATISTICAL LIBRARY
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1927

ANNUAL REPORT

Year Ending December 31, 1928

Jersey City, N. J., March 22, 1929.

To the Stockholders of
United Cigar Stores Company of America:

A statement of the financial condition of your Company, and its subsidiaries as of the close of business December 31st, 1928, is respectfully submitted herewith.

At the beginning of the year 1928 your directors deemed it advisable to discontinue any further enhancement in value of the Company's leaseholds. The policy of enhancement of leasehold value was adopted in June, 1924 and common stock had been issued in the form of dividends up to and including dividend paid December 30, 1927. The payment of stock dividends was continued for the first two quarters of the year 1928.

For the reason above stated, no enhancement of leasehold value appears in the Consolidated Profit and Loss Statement appended hereto. The enhancement value included in the earnings for the year 1927 amounted to $2,437,002.87

During the year your Company continued its policy of securing contracts involving the purchase of stock in other companies whose products we sell and advertise. The market value of these investments as of December 31, 1928 is in excess of the book value as shown on the Balance Sheet by approximately $16,000,000.00.

This policy of making stock investments in companies whose products we sell, was adopted in recent years and has now become a factor in the business. In addition to receiving regular dividends on the stocks owned, we share in the prosperity of these companies in the form of enhancement in value.

In 1928 your Company continued its policy of expansion which included the development of combination cigar and fountain luncheonette stores and the extension of its existing chain of drug stores, it having been demonstrated that both of these units were highly popular and profitable. To date there are in operation 190 fully equipped drug stores and approximately 100 cigar and luncheonette stores.

The books, accounts and records of your Company and all its subsidiary and controlled Companies have been audited by F. W. Lafrentz & Co., Certified Public Accountants. The Income Statements and Balance Sheets contained in this report have been made in slightly condensed form from these audits.

GEORGE WATTLEY, Treasurer

ASSETS

Capital Assets:			
Real Estate, Buildings and Leaseholds (Less—Depreciation)	$38,572,535.54		
Less: Mortgages	11,604,441.61	$26,968,093.93	
Improvements to Leaseholds and Stores		4,474,453.04	
Furniture, Fixtures and Equipment		7,016,092.87	
Trade Marks, Trade Names, Goodwill, Brands		21,400,000.00	$ 59,858,639.84
Current Assets:			
Cash		$ 5,558,295.78	
Notes Receivable		431,481.90	
Accounts Receivable		6,199,365.62	
Merchandise (Composed of Cigars, Cigarettes, Tobacco, Smokers' Articles, Sundry and Premium Merchandise) (At Cost)		12,930,839.38	
Supplies (Consisting of Certificates, Safety Paper Stock, Building Supplies, etc.) (At Cost)		273,238.10	
Marketable Securities		14,290,444.04	
Mortgages Receivable		4,651,756.50	44,335,421.32
Other Assets:			
Miscellaneous Investments		$ 7,419,149.04	
Stock Purchased for Employees	$ 3,252,052.23		
Less: Loans Secured by said Stock	2,500,000.00	752,052.23	
Special Deposits		49,303.38	8,220,504.65
Deferred Charges:			
Prepaid Insurance, Interest, etc.		$ 906,385.46	
Rent Paid in Advance		1,739,286.42	2,645,671.88
			$115,060,237.69

LIABILITIES

Capital Stock:			
6% Cumulative Preferred (Authorized $50,000,000.00)		$20,000,000.00	
Less: Treasury Stock		280,000.00	$ 19,720,000.00
Common (Authorized $60,000,000.00)			52,691,701.67
Total Capital Stock Outstanding			$ 72,411,701.67
Funded Debt:			
6% Sinking Fund Conv. Gold Notes, Whelan Drug Co., Inc.			2,000,000.00
Current Liabilities:			
Notes Payable		$ 4,000,000.00	
Accounts Payable		5,257,611.64	
Dividends Payable		1,306,417.37	
Accrued Taxes		263,497.98	
Reserve for Federal Income Tax		700,000.00	11,527,526.99
Deferred Liabilities:			
Instalments Received on Employees Stock		$ 745,253.11	
Rents Received in Advance		844,574.38	
Leasehold Bonuses Payable over period of years		425,100.00	2,014,927.49
Reserves:			
Unredeemed Certificates, etc.		$ 3,631,827.86	
Furniture, Fixtures, and Equipment Depreciation		1,558,730.64	5,190,558.50
Surplus:			21,915,523.04
			$115,060,237.69

Note: Contingent Liability—Guaranty $771,097.50.

UNITED CIGAR STORES COMPANY OF AMERICA

(AND SUBSIDIARIES)

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended December 31, 1928

Net Profit from OPERATIONS for the year			$ 7,650,643.68
Other income, including dividends and profits from real estate sales			1,445,378.78
			9,096,022.46
Deduct:			
Interest on 6% Convertible Gold Notes		$ 43,259.54	
Reserve for Federal Income Tax (1928) (Estimated)		700,000.00	
Dividends on 6% Preferred Stock Outstanding		1,188,300.00	
Dividends Paid on Common Stock Outstanding:			
9% Cash	$4,647,887.05		
2½% Stock	1,275,196.58	5,923,083.63	7,854,643.17
Surplus for the year			$ 1,241,379.29
Surplus Adjustments:			
Surplus Adjustments on issue of Common Stock		$979,133.66	
LESS: Premium on Preferred Stock		6,537.50	972,596.16
Net Addition to Surplus			$ 2,213,975.45
Surplus, December 31, 1927			19,701,547.59
Surplus, December 31, 1928			$21,915,523.04

The balance sheet follows